

**North Carolina**  
**Office of State Personnel**

**Performance Management**  
**Report No. 21 (2009)**

**December 2009**

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## Executive Summary

1. **Distribution of ratings** – Statewide, 85,376 state government employees received performance ratings at the end of the 2008-2009 cycle. Seventy-nine percent of these employees exceeded their performance expectations (that is, received “very good” or “outstanding” ratings). Although the ratings are most likely inflated, the last two years’ ratings have been less positively skewed than has been the case for the prior 19 years.
2. **Distribution of rewards** – The Comprehensive Compensation System was not funded in 2009. Thus there was no opportunity to use rewards to motivate high levels of employee performance. Nor was a legislative (across-the-board) increase granted.
3. **Race and sex differences in ratings** – There were large differences in ratings based on employee race and sex. These differences, however, did *not* meet the statistical standards established for determining adverse impact. They were nonetheless large enough to cause concern. Special analyses were conducted to determine if the racial differences were due (a) to blacks and whites gravitating toward different occupations in which performance standards are either tight or loose or (b) to rating bias on the part of their supervisors. Neither explanation was supported by the 2009 data, suggesting that the differences in ratings are due to actual differences in performance that could be caused by any number of outside factors.
4. **Occupational differences in ratings** – Occupational category makes a difference in how employees’ performance is rated. Employees in the law enforcement and service occupational groups tend to be rated more strictly than other employees, while employees in the official / administrator occupational group receive the highest ratings, on average.
5. **Agency differences in ratings** – There are dramatic differences in the distribution of performance ratings from one agency to the next. These differences are due, most likely, to agency-specific performance management policies as well as to the very different types of work done in different agencies and the different cultures they have evolved to support the work.
6. **Other demographic differences in ratings** – Demographically: older, higher paid, and longer serving employees receive higher ratings – on average – than younger, lower paid, and less tenured employees. There are no significant differences between disabled and able employees.
7. **Employees who were not rated** – About 6,000 employees did not receive ratings in 2009. This constitutes about 6% of the total population of full-time, permanent or probationary employees subject to the State Personnel Act. About two-thirds of these employees did not receive ratings for legitimate reasons (mostly due to insufficient time in the job).
8. **Employees who performed poorly** – Of 429 employees who received a “below good” or “unsatisfactory” rating in 2008, almost two-thirds improved their performance in 2009, about 10% left state employment, and almost 20% remained

with the state and continued to perform below expectations. This last group, the poor performers who stick around, was smaller in 2009 than in prior years.

**9. Suggestions for improving the performance management system –**

- Encourage further experimentation by agencies with performance management refinements that fit their agency mission and the type of work performed.
- Step up training for managers, supervisors, and employees in the basic tenets of performance management.
- In employees' work plans, place greater emphasis on expected results, less on behaviors and responsibilities.
- Identify agencies' key organizational performance measures and connect individual expectations with these measures so that there is a cause-effect relationship between collective individual performance and agency performance.
- Identify effective techniques currently in use in particular agencies so that other agencies may adapt and apply those techniques, if appropriate in their context.
- Provide a rating option for employees who are new to their position or learning major technological or procedural changes in their jobs.
- Consider alternative approaches for funding the Comprehensive Compensation System or for modifying the System so that exemplary employee performance can be differentially rewarded.

# Performance Management Report No. 21 (2009)

## 1. Introduction

North Carolina GS 126-7(9) requires an annual report on the administration of the performance management system.<sup>1</sup> The current report covers the performance cycle that began on July 1, 2008 and ended on June 30, 2009 (Cycle 21).

The purpose of performance management in North Carolina state government is to ensure that salary increases are allocated equitably “based upon the individual performance of each state employee.”<sup>2</sup> State policy further requires that the performance management system in each agency or university provide employees with clear performance expectations, an understanding of how their work supports their organization’s mission, ongoing feedback about their performance, the opportunity to develop, and an assurance that any instances of poor performance will be addressed.

When an agency’s performance management process is effectively in place, supervisors take responsibility for managing the performance of their employees. They meet with their employees and draw up a work plan at the beginning of each year, or when employees first assume their positions. Work plans specify the performance expectations for each employee for the upcoming year. Throughout the year, supervisors and their employees engage in dialogue concerning progress toward achieving expectations. Supervisors coach their employees to foster employee development and motivate higher levels of performance; they counsel their employees to help them improve when there are problems with their performance.

Performance management affects compensation by establishing the criteria against which employee performance is evaluated. These criteria are set forth in employees’ work plans. Employees are evaluated at the end of each annual performance cycle based on how well their performance has met the expectations set forth in their work plans. The evaluations are done using a five-point rating scale: “outstanding,” “very good,” “good,” “below good,” and “unsatisfactory.”

The performance ratings employees receive, in turn, define the parameters within which they may be “rewarded” by the compensation system.<sup>3</sup> Employees receiving a “very good” rating or higher are eligible, under the Comprehensive Compensation System, to receive a performance bonus – a one-time, lump sum payment that does not affect base salary. Employees rated “good” or higher are eligible for a “career growth recognition award,” which is essentially a merit increase – a percent increase in employees’ base salary.

Thus, performance management and evaluation are intended to affect compensation by determining which employees, based on the level of their performance, can receive merit increases and bonuses. The rationale for connecting performance management to compensation is to promote outstanding performance in state government by providing financial reward for high levels of performance.

## 2. Distribution of Performance Ratings

Of the 91,453 permanent, full-time employees subject to the State Personnel Act who were included in this analysis, 85,376 received performance ratings. Half were rated “very good” and just under 30% received “outstanding” ratings. Statute defines the midpoint of the rating scale, “good,” as “meets expectations”<sup>4</sup> (as set forth in employees’ work plans). Accordingly, nearly 79% of state employees exceeded expectations in the 2008-2009 cycle.

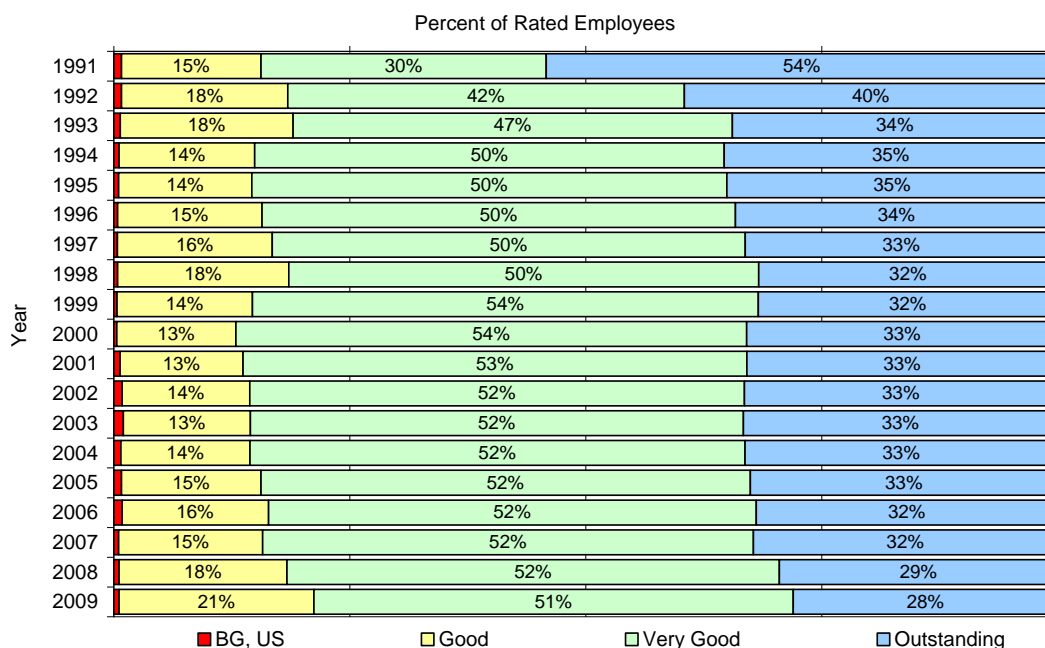
In **Table A** both the number and percentage of employees receiving each rating are presented. The percentage of employees not rated (6.6%) is less than what has been seen in recent cycles when the figure has been as high as ten percent or more. (Further analysis of employees not rated is presented in Section 8 of this report.)

**Table A**  
**State Government Workforce Performance Rating**  
**Summary, 2009**

Rating	Number	% of rated employees
Below Good, Unsatisfactory	478	0.6%
Good	17,636	20.7%
Very Good	43,349	50.8%
Outstanding	23,913	28.0%
Total employees rated	85,376	
		% of total employees
Total employees not rated	6,077	6.6%
Total employees	91,453	

Since the current performance management system was introduced in 1991, the distribution of performance ratings has been consistently skewed, with the majority of ratings clustered at the positive end of the scale. This consistency is apparent in **Figure 1**, which compares the ratings distributions from the last 19 years. However, it is noteworthy that, over the last two years, there has been a modest but discernible shifting of the distribution, with a slightly higher percentage of employees receiving “good” ratings and a lower percentage rated “outstanding.”

**Figure 1**  
**Distribution of Performance Ratings, 1991-2009**  
**State Government Workforce**



### Are Performance Ratings Inflated?

There is much discussion among human resources professionals concerning what a “proper” distribution of ratings should look like. In reality, in most organizations, ratings tend to be skewed, or “inflated,” with many more employees rated at the higher end of the scale than at the lower. Consider the following viewpoints about performance ratings:

- Job performance, like many other things, varies from person to person. In a large group of employees, there are likely to be some top performers, many performers in the middle, and a few who are not performing effectively. Thus, in the language of the academics, job performance should be distributed normally – like the statistical “normal curve” – more or less.
- A familiar counter argument asserts that the purpose of human resource management (HRM) systems is to ensure that only highly qualified people are hired. Furthermore, effective performance management, training, and compensation practices operate to optimize the performance of those hired. Thus if performance ratings were distributed in a truly normal fashion, with sizable numbers of “good” and “below good” performers, it would suggest that the organization’s HRM practices have failed.
- The public’s perspective is different still: If an organization is doing well (e.g., making a handsome profit, offering great products, delivering wonderful service, or, in the case of public sector organizations, fulfilling its mandate and meeting constituents’ needs in a cost effective way) then it would make sense to learn that management believes 79% of employees have exceeded their performance

expectations. But if the organization's performance has not been stellar, the public would be incredulous to learn of such a skewed distribution of ratings.

- It is also granted that most performance appraisal ratings are prone to error and bias, tendencies that are exacerbated when employees perform jobs that are inherently difficult to measure. Furthermore, when performance management systems are based primarily on activities and behaviors rather than results, ratings are more subjective. In other words, a little inflation is to be expected when the system for measuring performance lacks rigor.
- In the state's performance management system, the lowest two ratings – "below good" and "unsatisfactory" – are intended as transitory states in which employees would not linger for long. Supervisory action is required to address the problem and assist the employee in raising the performance level at any time performance on any one expectation drops below "good." With such an understanding, it is not surprising that so few employees are rated either "below good" or "unsatisfactory."



### 3. Distribution of Salary Increases and Awards

The Legislature funded the Comprehensive Compensation System at least partly on several occasions in the late 1990s but, since 2001, has granted across-the-board increases or across-the-board bonuses rather than performance-based increases or performance-based bonuses. **Table B** shows the history of state employee pay increases and bonuses since 1991.

**Table B**  
**History of Pay Increases and Bonuses\***

Year	% change in CPI	Career growth (merit) increase	Across-the-board increase	Performance bonus	Across-the-board bonus / award
1991	4.2%	--	--	--	--
1992	3.0%	--	\$522 (avg. 2%)	--	--
1993	3.0%	--	2.0%	--	1.0%
1994	2.6%	--	4.0%	--	1.0%
1995	2.8%	--	2.0%	--	--
1996	3.0%	2.0%	2.5%	--	--
1997	2.3%	2.0%	2.0%	--	--
1998	1.6%	2.0%	1.0%	1.0%	
1999	2.2%	2.0%	1.0%	--	\$125
2000	3.4%	2.0%	2.2%	--	\$500
2001	2.8%	--	\$625 (avg. 1.9%)	--	--
2002	1.6%	--	--	--	10 days bonus leave
2003	2.3%	--	--	--	\$550 and 10 days bonus leave
2004	2.7%	--	Greater of 2.5% or \$1,000	--	2.5% if salary > \$40,000; \$1,000 if below
2005	3.4%	--	Greater of 2.0% or \$850	--	5 days bonus leave
2006	3.2%	--	5.5%	--	--
2007	2.8%	--	4.0%	--	--
2008	3.8%	--	Greater of 2.75% or \$1,100	--	2.75% if salary > \$40,000; \$1,100 if below
2009		--	--	--	0.5% of annualized salary was <i>deducted</i> from employees' pay

\*% change in CPI = Change from previous year in Consumer Price Index. Source:  
[http://inflationdata.com/inflation/Consumer\\_Price\\_Index/HistoricalCPI.aspx?rsCPI\\_currentPage=0](http://inflationdata.com/inflation/Consumer_Price_Index/HistoricalCPI.aspx?rsCPI_currentPage=0)

**Table B** distinguishes between increases (additions to base pay) and bonuses (one-time pay outs or awards). Furthermore, both increases and bonuses can be either based on performance (as defined by the Comprehensive Compensation System) or delivered “across the board” (virtually every employee receiving the same increase or bonus), and these distinctions are incorporated into the table. For all intents and purposes, across-the-board increases are synonymous with “cost of living adjustment.” The table also displays, for each year, the change in the Consumer Price Index (CPI).

The Legislature funded the career growth and cost of living adjustment (COLA) components of the system for five consecutive years, from 1996 to 2000. Only in one year – 1998 – were all three elements of the system funded.

In 2009, the Legislature neither funded the Comprehensive Compensation System nor provided an across-the-board salary increase. Due to the severe economic recession and a consequent multi-billion dollar shortfall in revenue, the state was hard-pressed to fund basic services. Thus, Governor Perdue, seeking to cut expenses wherever possible, took the additional step of reducing state employees' pay by 0.5% in exchange for ten hours of flexible time off.<sup>5</sup>

Since no performance pay was authorized in 2009, the intent of this report is not to examine how effectively state employees' salary increases were tied to performance (since there were no such increases), but to note the relationship between ratings and important employee demographics and other factors. Also included are analyses of racial differences in performance ratings and the consequences of poor performance.

## 4. Race and Sex Differences in Performance Ratings

### Statewide Perspective

The race and sex composition of the state workforce has remained fairly constant across the past several cycles. **Table C** presents the 2008 numbers and percentages for the standard EEO categories. Males and females are about equally represented. Whites make up about two-thirds while blacks comprise slightly less than one-third of the workforce; there are (proportionally) small numbers of American Indians, Asians, and Hispanics.

**Table C**  
**Race and Sex Composition of**  
**State Government Workforce, 2009**  
**(Frequencies)**

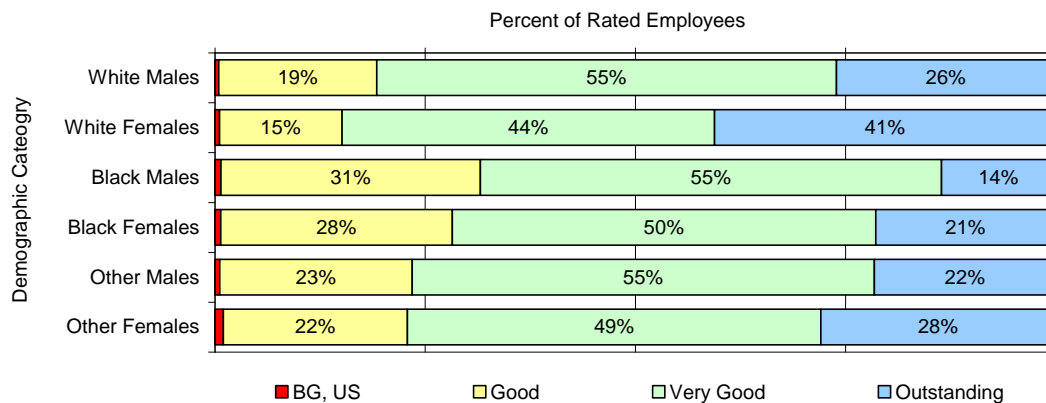
	Male	Female	Totals
White	33,276	27,396	60,672
Black	10,611	16,663	27,274
Hispanic	556	562	1,118
Asian	696	831	1,527
American Indian	762	560	1,322
Totals	45,901	46,012	91,913

**(Percentages)**

	Male	Female	Group %s
White	36.2%	29.8%	66.0%
Black	11.5%	18.1%	29.7%
Hispanic	0.6%	0.6%	1.2%
Asian	0.8%	0.9%	1.7%
American Indian	0.8%	0.6%	1.4%
Group %s	49.9%	50.1%	

The 2009 distribution of ratings by race and sex is presented in **Figure 2**. There are considerable differences among the race and sex categories. White females have the highest percentage of “outstanding” and the lowest percentage of “good” ratings. In contrast, black males have the lowest percentage of “outstanding” and highest percentage of “good” ratings.

**Figure 2**  
**Distribution of Ratings by Race and Sex, 2009**  
**State Government Workforce**



Because of the small numbers of American Indians, Asians, and Hispanics relative to the numbers of whites and blacks in the state workforce, the distributions for these smaller groups should be viewed with caution. Nonetheless, although the percentages of “other” races are small, the numbers are not trivial. In each of these groups, there are more than 1,000 employees who received ratings.

### Are the Race and Sex Differences Significant?

Does the performance management system have a disparate impact on any one race-sex group? On average, black males received lower ratings than other groups. But is this difference significant (that is, is it big enough to be both statistically significant and of practical concern) and is it persistent (that is, does it show up consistently from year to year)?

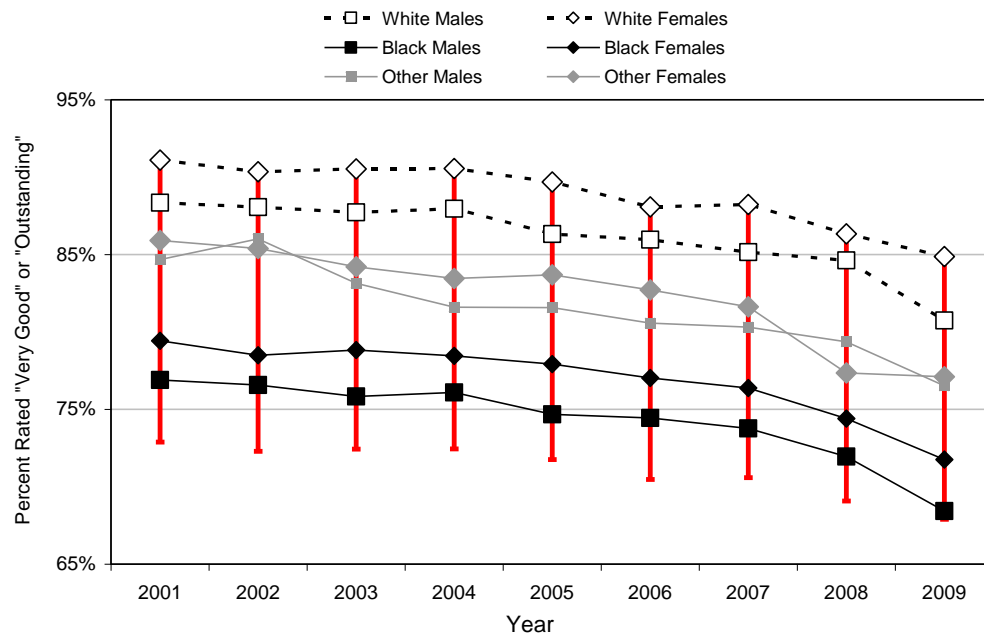
To determine if the difference is *significant*, we apply the four-fifths “rule of thumb” suggested by the Equal Employment Opportunity Commission.<sup>6</sup> According to this rule, if the rate for the group in question is less than four-fifths (80%) of the rate for the most successful group, a potential disparity exists. This rule was originally applied to employee selection (hire rate of applicants of a particular group compared to the hire rate of applicants belonging to the “most successful” group). In the present analysis, the rule is applied to the percentage of employees in a particular group rated “very good” or “outstanding” in relation to the rating percentage of the most successful group of employees.

In 2009, 84.9% of white female employees who received ratings were rated “very good” or “outstanding;” they were the highest rated (“most successful”) group.<sup>7</sup> Four-fifths of 84.9% is 67.9%. Thus, if any group’s percentage falls below 67.9%, it would be evidence of potential disparate impact.

**Figure 3** displays this analysis graphically. The red bracket extending down from the white-female data-point represents the range within which, according to the four-fifths rule, a difference would *not* be considered evidence of a potential disparity. A group’s data-point would have to fall *below* this bracket to suggest disparate impact. Looking at the 2009 data, all groups’ data-points fall *within* the bracket, suggesting the performance

management system does not have disparate impact on any of the race-sex groups. It should be noted, however, that 68.4% of black males received “very good” or “outstanding” ratings, their data-point poised uncomfortably close to the lower boundary.

**Figure 3**  
**Disparate Impact Analysis: Percent Rated "Very Good" or**  
**"Outstanding" by Race and Sex, 2001-2009**



To determine if a difference is *systematic*, previous performance management reports have adopted the following convention: If a potential disparity persists across three consecutive cycles, it should be regarded as a disparity warranting investigation. Since there is no potential disparity in the 2009 data, this step of the analysis is not required. Furthermore, it will be noted that, in **Figure 3**, none of the groups' data points has fallen outside of the four-fifths brackets in any of the preceding eight years.

### What Lies Behind the Race and Sex Differences in Performance?

Although the sex-race differences do not satisfy the statistical criterion for disparate impact, the differences are nonetheless substantial for black employees, particularly black males. Such differences, however, are not unique to the North Carolina state government workforce. Comparable black-white differences are consistently found in the research literature on job performance.<sup>8</sup> The magnitude of the black-white difference in job performance in these studies is .39 standard deviations. In 2009, the average rating for white state employees was 4.15 and for black state employees, 3.89. This difference of one-fourth of a point on the state's five-point rating scale represents a difference of .37 standard deviations, nearly identical to the broader findings of the published research.

This report has undertaken additional analyses to try to better understand the nature and causes of these differences. There are at least three possible explanations for these differences in black-white, male-female performance ratings:

1. Differences in type of work and organizational culture – One possibility is that the sexes and races are not randomly distributed across all positions or across agencies, and that these factors – the kind of work people do and the environment in which they do it – substantially affect how well they perform or how rigorously or leniently their performance is evaluated.
2. Rater bias – A second possibility is that raters generally favor one group over another irrespective of actual performance. This explanation would be valid if, for example, white supervisors (whether consciously or without awareness) rated black employees lower than other employees while black and “other” supervisors rated all race group about equally, on average.
3. Real performance differences – A third possibility is that there may be legitimate differences in performance between the groups. Such differences may, in turn, be due to any number of factors.

### **The “Work and Environment” Explanation**

It is possible, using available data, to test the validity of the first explanation. Two examples illustrate how this “work and environment” explanation *might* be operating:

- A disproportionately large number of black males are employed as Correctional Officers in the Department of Correction. Correctional Officer is a difficult, demanding job, one that is not forgiving of errors or inattention to procedures. The Department of Correction evaluates its employees more stringently than many other agencies. Thus, the non-random gravitation of black males into exacting positions in a department where evaluations are rigorously done would contribute to a statewide ratings distribution in which the average rating for blacks is lower than for whites.
- In contrast, performance in clerical positions is presumably more difficult to objectively measure. A disproportionately large number of white females work in clerical positions. Most likely due to the greater ambiguity in setting expectations and appraising their performance, employees in clerical positions tend to receive more positive ratings than people in most other occupations. The net effect of this would be to produce a statewide distribution in which the average rating for white females is higher than for other race-sex groups.

**Table C** shows the number of employees in Correctional Officer and administrative support<sup>9</sup> job groups as well as in two other “high-occupancy” job groups: Health Care Technicians and Transportation Workers.

**Table C**  
**Race-Sex Mix in High-Occupancy Positions, 2009**  
**(Numbers and Percentages of Employees Receiving Performance Ratings)**

**(a) Numbers**

Position	White Males	White Females	Black Males	Black Females	Other Males	Other Females	Total
Correctional Officer	3,650	932	1,827	1,725	212	104	8,450
Adm Support	190	2,280	127	1,055	6	81	3,739
Health Care Technician	257	569	667	1,838	8	14	3,353
Transportation Worker	2,461	81	726	25	142	11	3,446

**(b) Percentages**

Position	White Males	White Females	Black Males	Black Females	Other Males	Other Females	Total
Correctional Officer	43%	11%	22%	20%	3%	1%	100%
Adm Support	5%	61%	3%	28%	0%	2%	100%
Health Care Technician	8%	17%	20%	55%	0%	0%	100%
Transportation Worker	71%	2%	21%	1%	4%	0%	100%

Note the disproportionate representation of race-sex groups in these jobs:

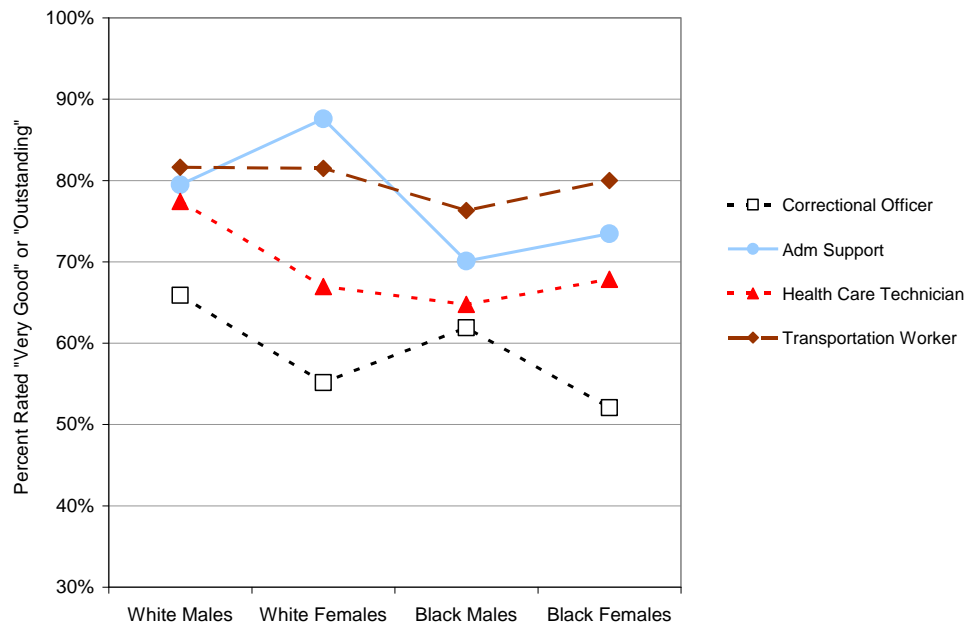
- 42% of Correctional Officers are black (vs. 30% statewide).
- 91% of administrative support employees are female (vs. 50% statewide).
- 72% of Health Care Technicians are female (vs. 50% statewide), 75% are black (vs. 30% statewide), and 55% are black females (vs. 18% statewide).
- 96% of Transportation Workers are male (vs. 50% statewide).

It is clear that, over the years, these high-occupancy jobs have, for whatever reason, attracted disproportionate numbers of either men or women or blacks.

If the “work and environment” explanation is correct, two trends would emerge from the data: (a) jobs with high percentages of black males would have lower average ratings and those with high percentages of white females would have higher average ratings *and* (b) within any one job the ratings of different race-sex groups would be roughly equal. In other words, jobs with different sex-race mixes will differ in their average ratings while within a particular job group the average rating differences of each sex-race group will be negligible.

The data relevant to this test are presented in **Figure 4**. It shows the percentage of white male, white female, black male, and black female employees in each of the four selected high-occupancy jobs whose performance exceeded expectations (i.e., they received either “outstanding” or “very good” ratings). Data for the “other” race categories are not included due to the much smaller numbers of employees in these categories.

**Figure 4**  
**Race-Sex Differences in Ratings in High-Occupancy Positions**



If the “work and environment” explanation were 100% valid, the five lines representing the five job groups would be horizontal and parallel to each other. What appears in Figure 4 is in fact quite different. As anticipated, average ratings for some jobs tend to high and others, low. Administrative support employees and Transportation Workers receive relatively high ratings, for example, while Correctional Officers receive lower ratings, on average.

However, there are systematic differences in sex-race group ratings *within* each of the jobs. A larger percentage of white administrative support employees receive high ratings than do black employees. Among Correctional Officers, more males than females *and* more whites than blacks are highly rated. Among Health Technicians, more females than males *and* more whites than blacks are highly rated.

The data presented here suggest that there are clearly race and sex differences in performance ratings that *cannot* be accounted for solely on the basis of the type of work. Even in the same job, blacks and whites, males and females are evaluated differently.

### **The “Rater Bias” Explanation**

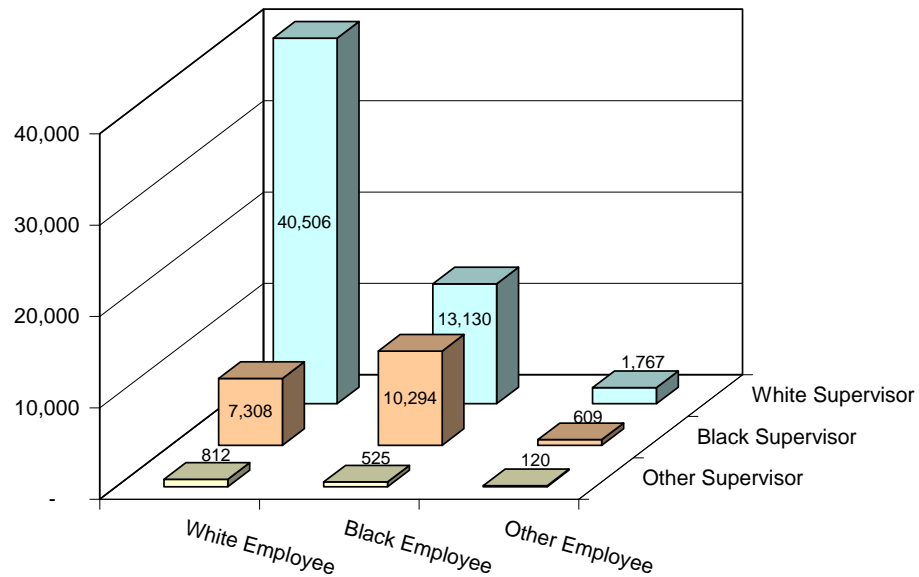
Another possible cause of the race difference in evaluations is that supervisors may be biased in their ratings based on employee race. A way to partially test this possibility is to look at how white, black, and “other” supervisors rate the performance of white, black, and “other” employees. If rating bias exists, ratings will differ depending on who is rating whom. If rating bias does not exist, average ratings will be roughly the same for all combinations of supervisor race and employee race.

**Figure 5** reports the number of pairings based on supervisor and employee race. By far the most common pairing is white supervisor and white employee (37,893 pairings).



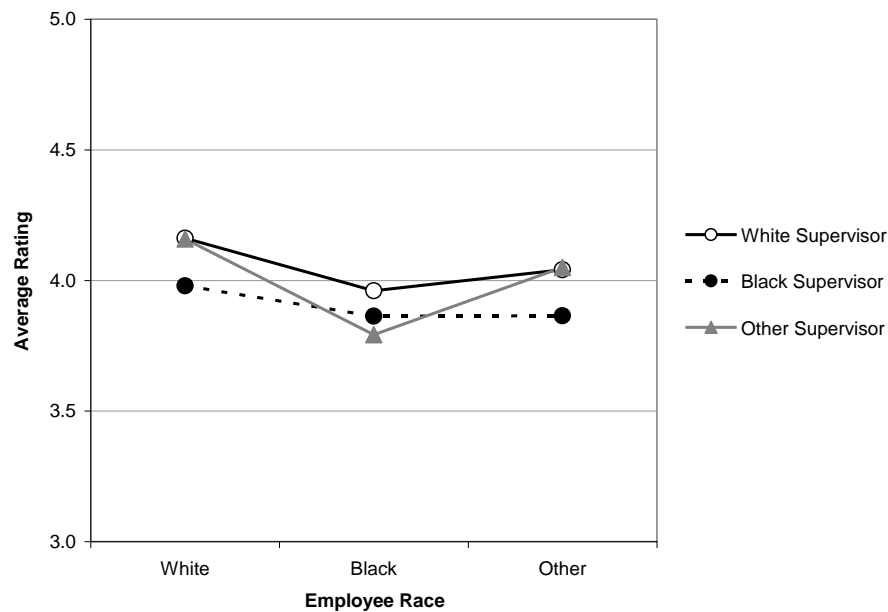
However, there are significant numbers of white-on-black pairings (10,829), black-on-white pairings (6,419), and black-on-black pairings (7,889).

**Figure 5**  
**Supervisor-Employee Pairings by Race**  
**State Workforce, 2009**



**Figure 6** presents the ratings data. Black supervisors are stricter in their ratings than white supervisors. Both rate black employees somewhat more harshly than white employees.

**Figure 6**  
**The Effect of Supervisor-Employee Race on Employee Ratings**  
**State Workforce, 2009**



The significant finding to be noted in **Figure 6** is that the lower average rating received by black employees is not due to lower ratings assigned them by any one supervisor-race group; all supervisor-race groups rate black employees lower than white employees.

These findings do *not* suggest that white supervisors are biased in their ratings of black employees – any more than are black supervisors. Interestingly, “other” supervisors’ lower ratings of black employees are somewhat more exaggerated than white or black supervisors’ ratings, although the “other” supervisors’ averages are based on significantly smaller numbers or supervisor-employee pairings and thus should not be over-interpreted.

## Conclusions

How employees are rated *does* depend in part on what job they have. Males, females, black, whites, and other races *do* tend to gravitate to some jobs and not to others. However, employees working the same job are still rated somewhat differently, on average, depending on their race and sex.

Is that lingering difference due to supervisor bias? Not likely, since *all* supervisors tend to rate black employees lower than white employees. All of this leads to the uncomfortable possibility that at least part of the reason for race differences in performance ratings is that there *are* differences in performance.

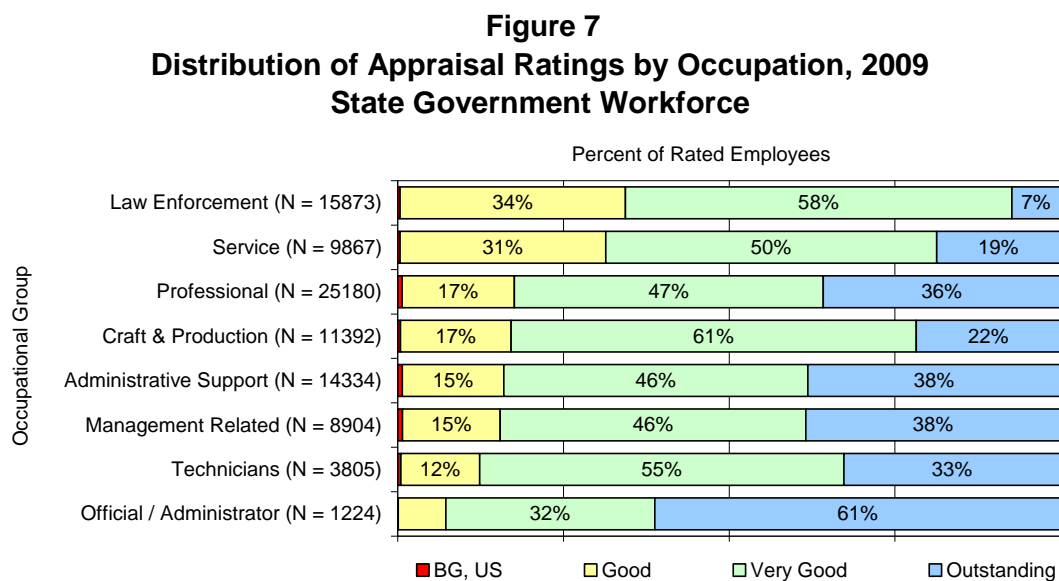
Finally, these analyses and conclusions should not lull agencies and universities into believing they do not need to worry about discrimination in the context of performance management. The fact remains: bias can enter into the performance management (or any other) process at any time. HR departments need to be alert to evidence of bias as it arises in individual cases.

## 5. Occupational Differences in Performance Ratings

Section 4 of this report surveyed the relationship between performance appraisal ratings and the “personal” demographic factors of race and sex. In the next two Sections, attention is shifted to “external” demographics – occupational differences (the types of jobs people perform – Section 5) and cultural differences (the particular agencies or universities where they work – Section 6).

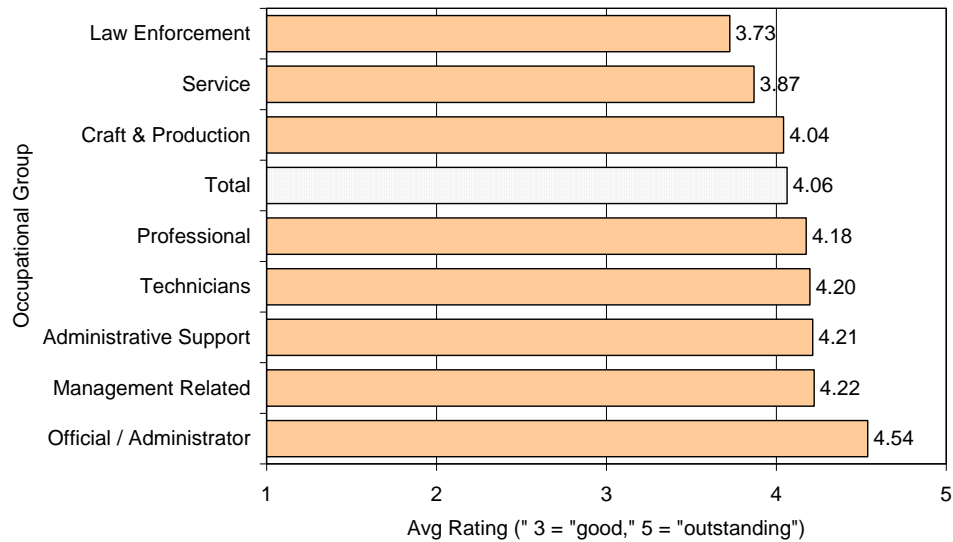
First, occupational differences. Are people who perform different types of jobs rated in systematically different ways? In Section 4, it was shown that employees in a few “high occupancy” positions, such as Correctional Officer and Transportation Worker, are rated quite differently. This section looks at occupational groupings more broadly. The state classifies its jobs into eight occupational groups<sup>10</sup>, of which professional, administrative support, and law enforcement account for the largest number of employees. Detailed breakdown of numbers and ratings is included in the Appendix in **Table G**.

To the question, “Are people in different occupations rated differently?” the answer is a resounding, “Yes.” Occupational differences in performance ratings are dramatic. **Figure 7** illustrates these differences.



From the perspective of average ratings, as illustrated in **Figure 8**, there is a three-quarter point difference between the occupation with the highest average rating and the occupation with the lowest.

**Figure 8**  
**Average Performance Ratings by Occupation**  
**State Government Workforce, 2009**



Employees in law enforcement (accounting for 18% of the state government work force) and the service occupational group (accounting for 11%) are the most strictly rated (i.e., they have the lowest percentage of “very good” and “outstanding” ratings). Service occupations include healthcare support, food and beverage, building and grounds workers, and their first-line supervisors. The law enforcement group includes police, correctional officers, and their supervisors.

Officials and administrators (top and middle management) are the most leniently rated employees, although they represent only one percent of the state government work force.

## 6. Agency / University Differences in Performance Ratings

This Section highlights the second of the two major “external” demographic factors that make a dramatic difference in how employees are rated: the environment (or culture) in which they perform their jobs – in other words, the agency or university where they work.

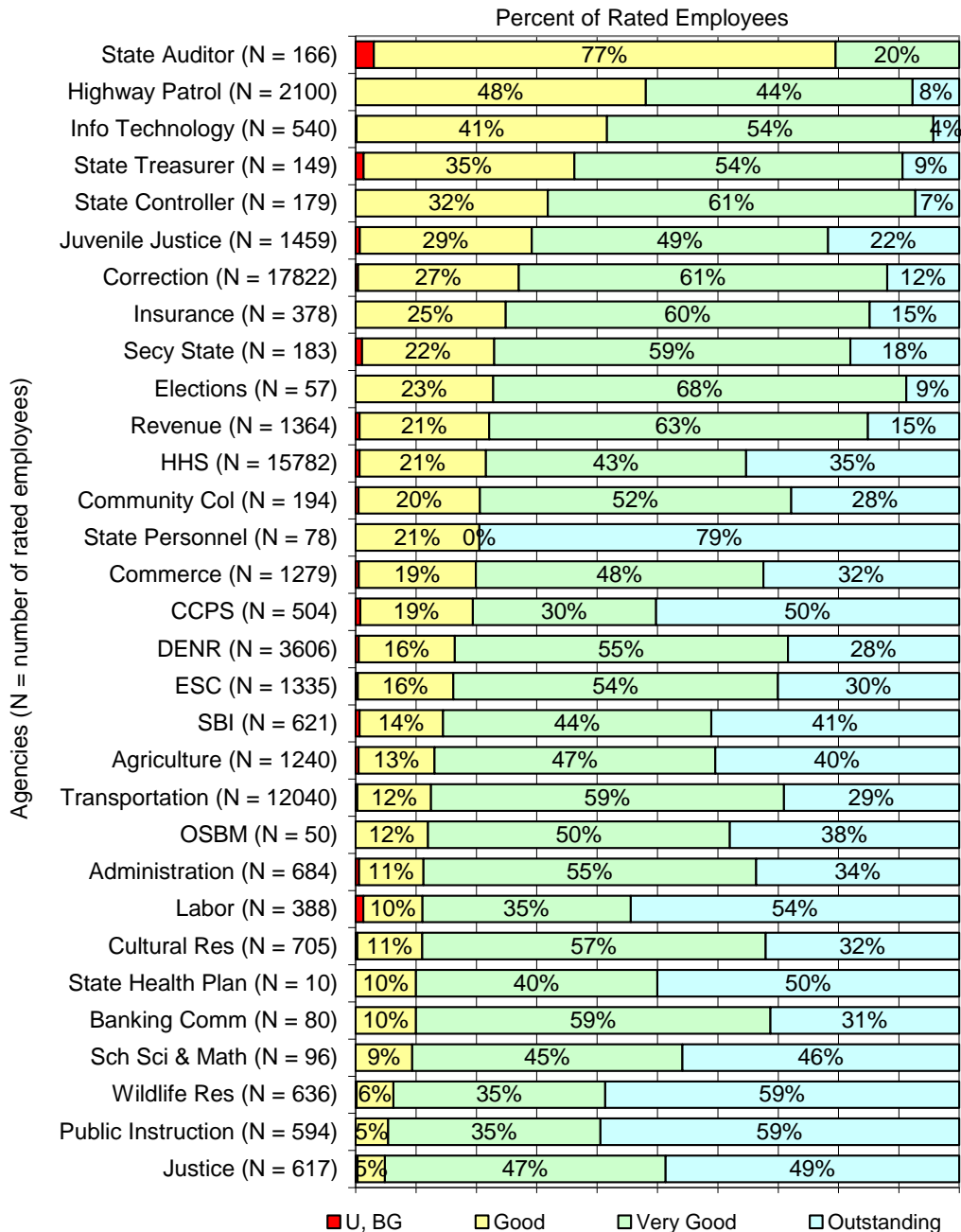
Thirty-one state entities using BEACON as their HR information system (mostly agencies) and 17 organizations entering their personnel data in PMIS for the purpose of central data reporting (mostly universities) are covered in this Section.

### Distribution of Ratings in State Agencies

**Figure 9** shows the distribution of ratings within each agency. The agencies are arranged in the figure in order, from those with the lowest percentages of high ratings (“outstanding” plus “very good”) to those with the highest percentages.

State agencies use the BEACON system to manage their HR information; all the data presented in **Figure 9** are based on data entered into the BEACON system by agency staff. The School of Science and Math, although part of the state university system, also has adopted BEACON as its system of record and is therefore included with state agencies in this presentation.

**Figure 9**  
**Distribution of Employee Performance Ratings, 2009**  
**(BEACON Data Source)**



Looking at all the agencies included in this figure, it is apparent that different agencies take very different approaches to performance evaluation, whether as a matter of policy (some agencies supporting more positive ratings and others encouraging a more strict approach to appraisals) or as a reflection of the very different types of work performed within. At one extreme there is the Auditor's office, with no "outstanding" ratings and 77% "good," while at Public Instruction, Wildlife Resources, and Labor, more than half the rated employees received "outstanding" appraisals.<sup>11</sup>

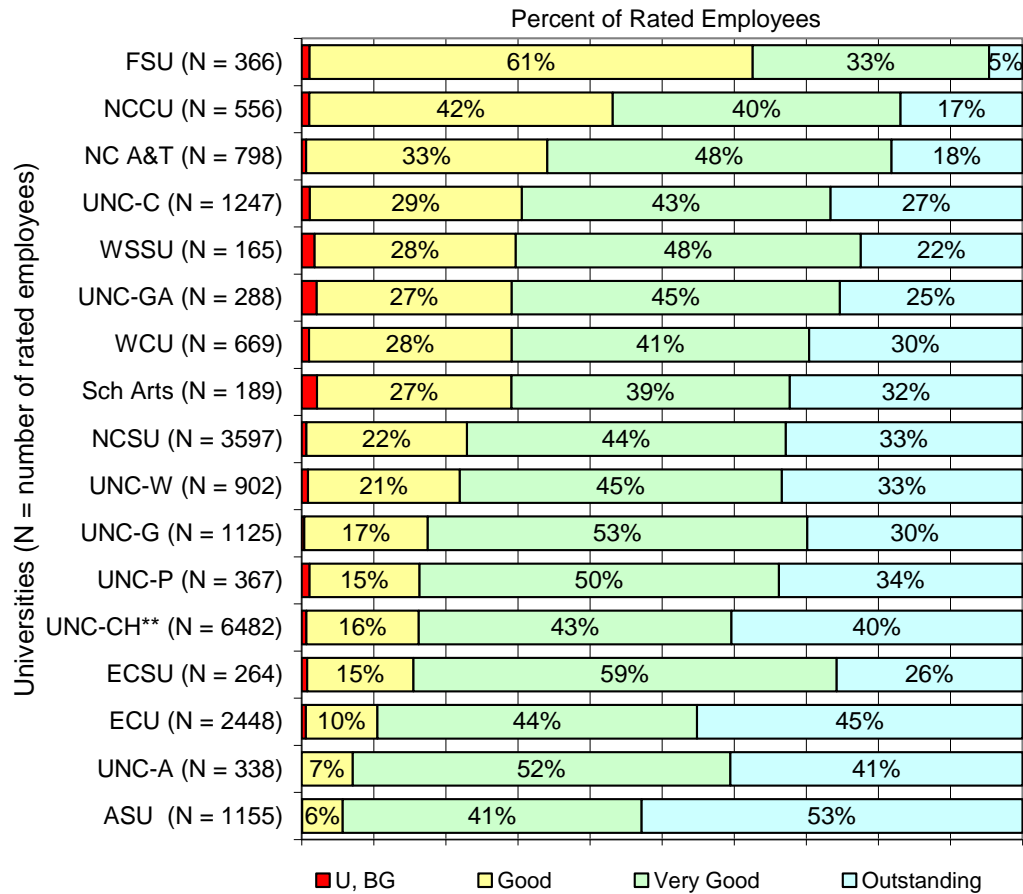
Agency data are presented in tabular format in **Table H** (in the Appendix).

### **Distribution of Ratings in State Universities**

Data from the universities, which have not adopted BEACON as their system of record (with the exception of the School of Science and Math), have been entered into PMIS by each university's HR staff. This has required "double entry" on the part of the universities: they routinely enter personnel data into their system of record for management and control purposes and also enter data into PMIS to satisfy the requirement for centrally reporting key personnel transactions to OSP. In 2009, UNC-CH was not able to keep its PMIS entries up to date, which resulted in a number of significant inaccuracies, from a central reporting perspective. (For example, because employee terminations had not been kept up to date in PMIS, there were a large number of performance evaluations "not done" since the terminated employees were still in PMIS and they did not have 2009 performance ratings.) The HR staff at UNC-CH provided a special spreadsheet, generated from their system of record, as input for this report.

**Figure 10** presents the universities' ratings distributions. ASU stands out with 94% of employees rated at the two highest levels; 53% received an "outstanding." Fayetteville State has the strictest distribution, with only 38% of employees receiving "outstanding" or "very good" ratings.

**Figure 10**  
**Distribution of Employee Performance Ratings, 2009**  
**(PMIS Data Source)**



University data are laid out in tabular format in **Table I** in the Appendix.



## 7. Other Demographic Differences in Performance Ratings

### Age and Performance

**Table D** shows how age groups are represented within the state workforce. The 40-to-49 and 50-to-59 year old groups are the most populous.

**Table D**  
**State Government Workforce**  
**By Age Bracket, 2009**

Age	Number of Employees	Percentage
<20	24	0.0%
20-29	8,904	9.8%
30-39	19,785	21.8%
40-49	27,457	30.3%
50-59	26,342	29.0%
60-69	7,850	8.7%
>69	362	0.4%
	90,724	

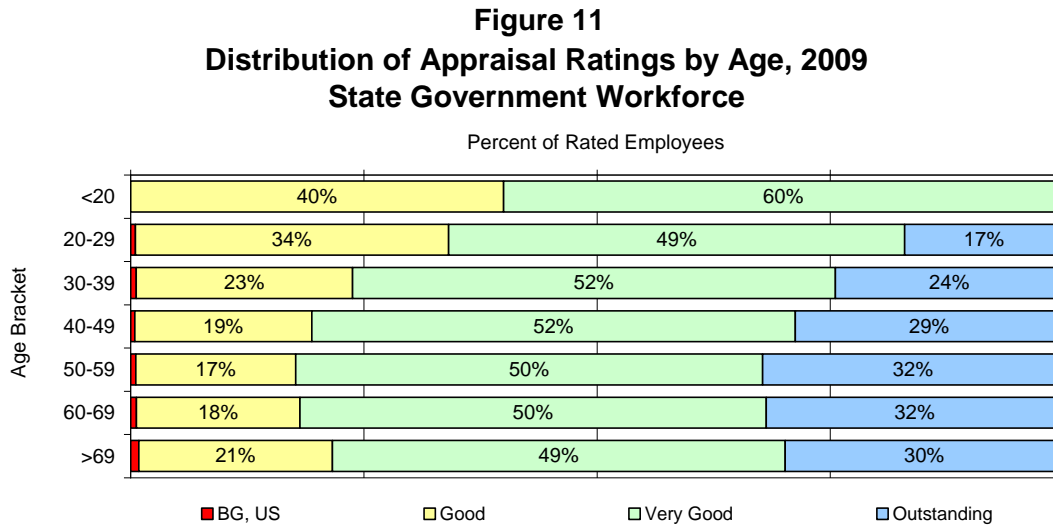
**Table E** shows how the state government employee population falls into generational groupings. Baby Boomers (currently 45 to 63 years old) make up approximately 52% of the workforce. The Silent Generation or Late Career Employees (64 years and older) account for less than 3%. Generation Xers (34 to 44 years of age) comprise about 28% of employees. And the youngest group, Generation Y or Echo Boomers (age 33 and younger), account for about 17%.

**Table E**  
**State Government Workforce**  
**By Generational Group, 2009**

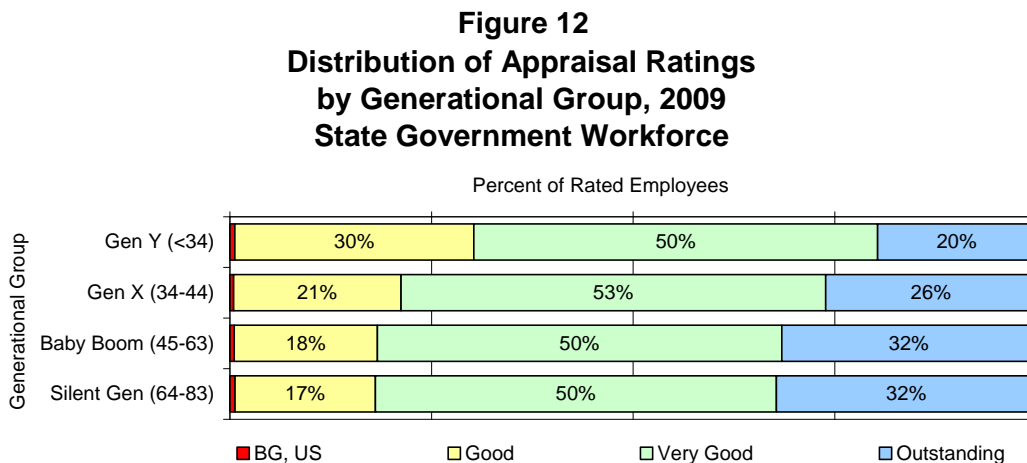
Generation	Number of Employees	Percentage
Generation Y ( <34)	15,773	17.4%
Generation X (34-44)	25,766	28.4%
Baby Boom (45-63)	46,901	51.7%
Silent Generation (64-84)	2,284	2.5%
	90,724	

As can be seen in **Figure 11**, there is a clear age-related performance trend. The percentage of “outstanding” ratings increases steadily, from the youngest group on up, leveling off with those employees in their fifties and sixties. “Very good” ratings remain at high levels from the 20-to-29-year-old group on. The youngest employees received a rather large number of “good” ratings, but as groups age the percentage of “good” ratings declines up until the oldest group, at which point there is an increased percentage of “good” ratings. These very regular trends suggest that the age differences

in performance level are due more to chronological age and experience than to generational membership.



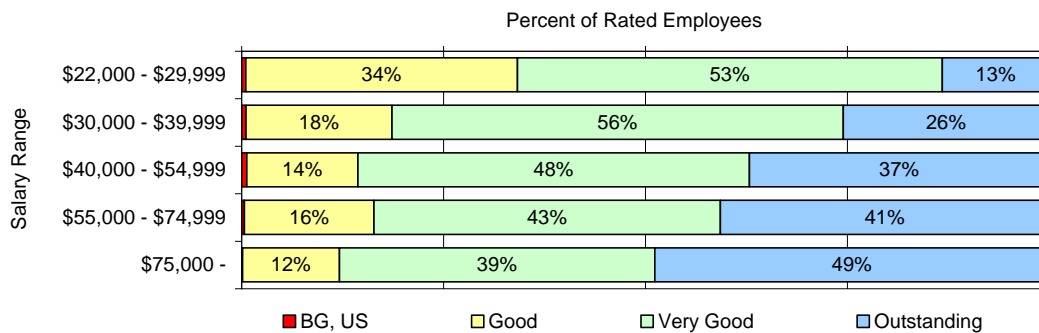
**Figure 12** illustrates the same trend with the data organized by generational groups.



### Salary Range and Performance

In general, as can be seen in **Figure 13**, employees at higher salary grades tend to be rated higher. The number of “outstanding” ratings increases steadily from the lowest- to highest-paid ranges.

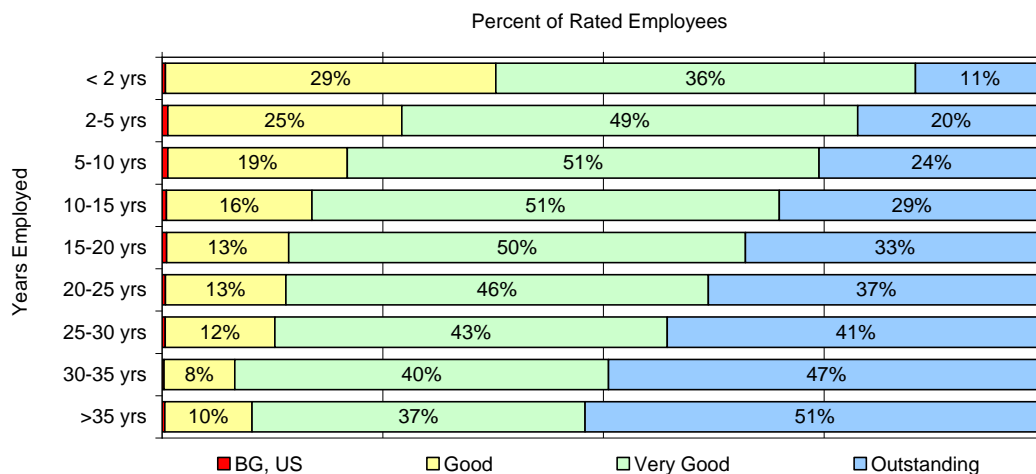
**Figure 13**  
**Distribution of Appraisal Ratings by Salary Range, 2009**  
**State Government Workforce**



### Length of Service and Performance

**Figure 14** shows the relationship between length of service and evaluation rating. There is a clear linear trend: the longer an employee's service time, the higher the evaluation rating.

**Figure 14**  
**Distribution of Appraisal Ratings by Tenure, 2009**  
**State Government Workforce**



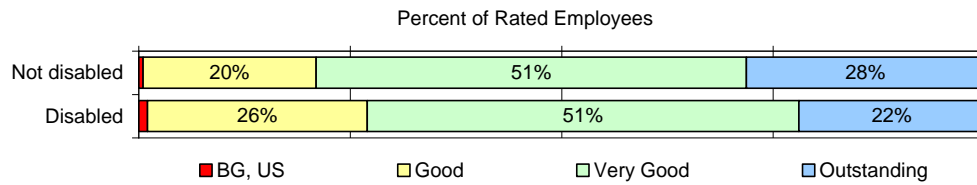
Although not included in **Figure 14**, employees who were not rated had the least amount of service time (8 years, compared to 11 years for the workforce overall).

### Disability and Performance

Within the state workforce in 2009, 1,631 employees identified themselves as disabled. This amounted to 1.8% of the total workforce. Of the disabled state employees, about 6% did not receive ratings, a proportion that is in line with the total number of employees that were not rated.

**Figure 15** compares the distribution of ratings for disabled employees with the distribution for able employees. The two distributions coincide quite closely, indicating that disabled employees were evaluated no differently than able employees.

**Figure 15**  
**Distribution of Appraisal Ratings by Disability, 2009**  
**State Government Workforce**



## 8. Employees Not Rated

Inevitably, each year a number of employees do not receive ratings. **Table F** shows the number of employees who did not receive ratings in 2009 and the reasons for their not being rated. One of three legitimate explanations may be entered into the HR database to explain the absence of a rating:

- a. Insufficient time to evaluate – This designation is used for new hires, reinstatements, and permanent employees who have not had sufficient time to complete the minimum performance cycle. (Some agencies have set six months as the operational definition of “sufficient time” while other agencies have not established a firm definition for “sufficient time.”)
- b. Leave without pay (LWOP) – Employees who are on Worker’s Compensation leave and those who are in non-pay status due to Short-term or Extended Short-term Disability are coded as “Leave Without Pay.”
- c. Evaluation not done – Agencies may use this code if there is documentation explaining why an employee’s evaluation was not done. Legitimate reasons why management would not have evaluated an employee may include: employee resigned without notice, employee is receiving severance salary continuation, employee is exhausting leave, employee has a temporary appointment, employee is currently unable to discuss the work plan because they are out of work on extended sick leave or presently in the hospital, and employee has died during the performance cycle.

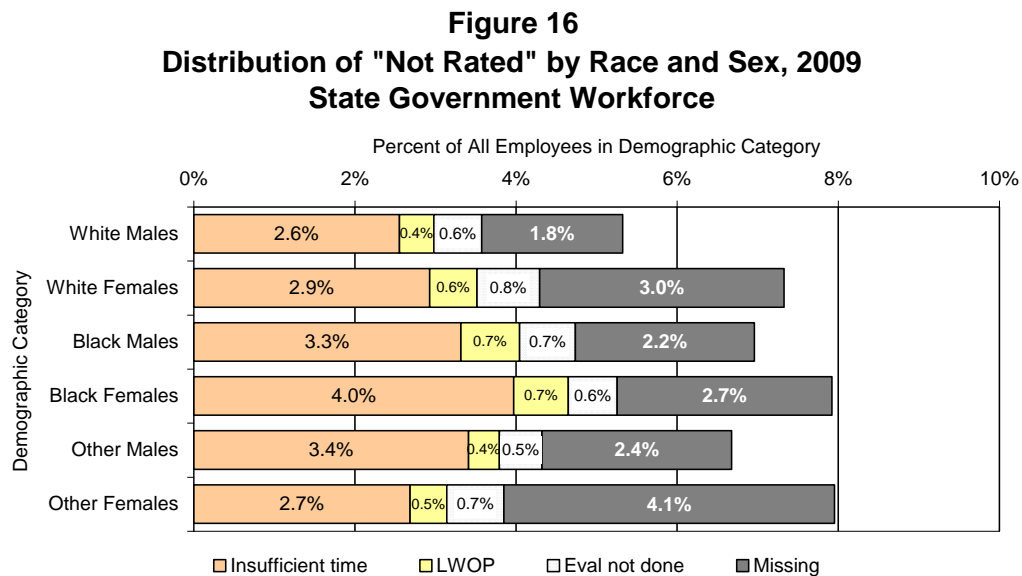
If neither a rating nor an explanatory code is entered for an employee, the rating is classified as “missing” and it is presumed that the supervisors of those employees whose ratings are missing have not fulfilled their responsibilities for establishing work plans and completing evaluations of their employees. However, sometimes ratings do not get entered into either BEACON or PMIS by the annual June 30 deadline, but they do show up in the system in the next month or two. To minimize lateness as a reason for missing ratings, OSP extracts the data used in this report in October, a full quarter of a year after the ratings entry deadline. Thus it can be safely assumed that the missing ratings shown in **Table F** are in fact due to negligence on the part of one or more supervisors.

**Table F**  
**Employees Not Rated, 2009**

Reason Employees Not Rated	Number	% of not-rated employees	% of total employees
Insufficient time to evaluate	2,713	44.6%	3.0%
Leave without pay (LWOP)	506	8.3%	0.6%
Evaluation not done	611	10.1%	0.7%
<b><i>Missing (rating not entered)</i></b>	<b><i>2,247</i></b>	<b><i>37.0%</i></b>	<b><i>2.5%</i></b>
Total employees not rated	6,077		6.6%
Total employees	91,453		

The 2.5% of employees with missing ratings has held relatively steady over the past several years.

Is there any correlation between employees' race or sex and the likelihood that they will not receive a rating? **Figure 16** breaks out the "not rated" data by employee race and sex. White males are the least likely to not receive a rating in general and are also least likely to be "neglected" at evaluation time (i.e., have missing ratings).



## 9. Addressing Poor Performance

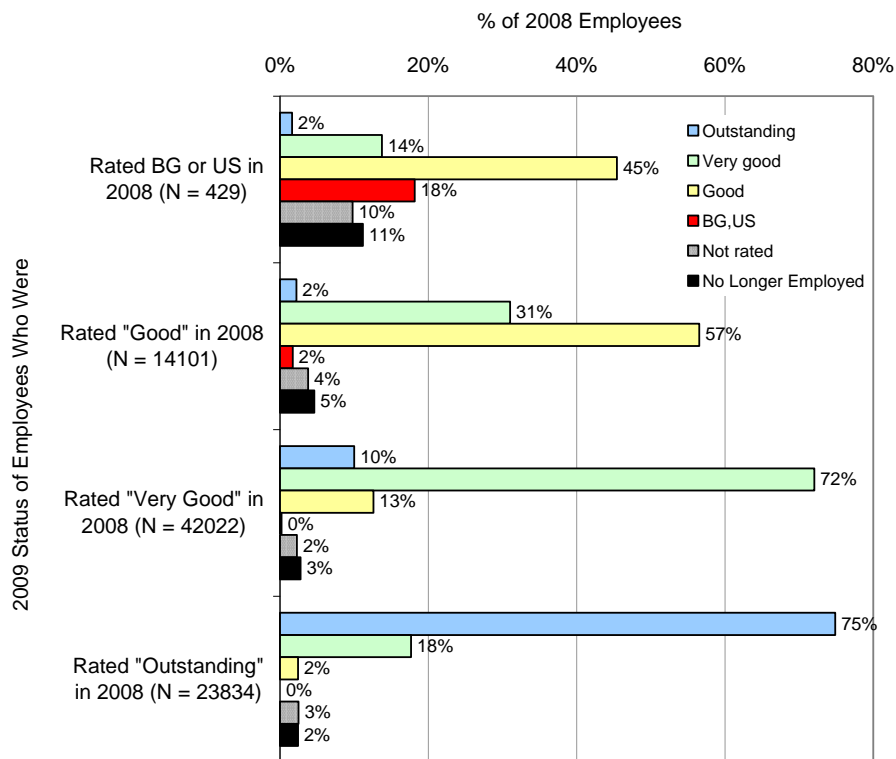
One of the purposes of the performance management system is to “further ... the outstanding performance of state employees”<sup>12</sup> – that is, to stimulate high levels of employee performance – whether by sustaining high performers, moving lower performers to higher levels of performance, or moving out of the organization those low performers who fail to improve. How well does the system accomplish these purposes?

Because performance ratings are by and large inflated, it is difficult to answer the general question about furthering outstanding performance. Taken literally, the ratings data suggest that this objective has been achieved beyond anyone’s wildest dreams. After all, 99% of state employees meet or exceed their performance expectations.

However, it is possible to use the ratings data to answer a narrower question: Is *poor* performance effectively addressed? You would expect that employees who perform at the “below good” or “unsatisfactory” levels would, over the course of a year, be either brought up to a satisfactory level of performance or moved out of state government.

**Figure 17** looks at changes in performance from year to year, in this case from 2008 to 2009.

**Figure 17**  
**2009 Status of Employees Compared to their 2008**  
**Performance Levels**



The first conclusion to be drawn from these data is that employees who perform effectively tend to continue to perform at the same level over time. For instance, 75% of employees rated “outstanding” in 2008 continued to perform at that level in 2009, with

only 18% dropping back to “very good” and only 2% leaving the state government work force. Similarly, 72% of “very good” employees in 2008 continued to perform at the “very good” level in 2009 while 10% kicked it up a notch to perform at the “outstanding” level in 2009 and 10% dropped back to “good.”

The second conclusion has to do with employees who perform poorly. Although there were comparatively few of them in 2008, according to the ratings data (N = 429), 61% improved their performance in the following year. On the flip side of the performance management coin, 11% of the poor performers were no longer employed by state government in the following year. Interestingly, however, 18% (78 employees) were still employed by the state in 2009 *and performing at the same ineffective level*. The poor-performers-who-stick-around problem is consistent with the findings in prior years’ reports, although the percentage has dropped somewhat.



## Appendix

**Table G**  
**Distribution of Ratings by Occupation**  
**State Government Workforce, 2009**

Occupation	Employees			Performance Ratings				Employees Not Rated	
	Number	% of State Work force	Number Rated	% BG, US	% Good	% Very Good	% Outstanding	Number Not Rated	% Not Rated
Professional	25,180	28%	23,536	0.7%	17%	47%	36%	1,644	7%
Admin. Support	14,334	16%	13,373	0.7%	15%	46%	38%	961	7%
Law Enforcement	15,873	18%	14,685	0.4%	34%	58%	7%	1,188	7%
Craft & Production	11,392	13%	10,936	0.4%	17%	61%	22%	456	4%
Service	9,867	11%	9,075	0.4%	31%	50%	19%	792	8%
Management Related	8,904	10%	8,308	0.7%	15%	46%	38%	596	7%
Technicians	3,805	4%	3,632	0.5%	12%	55%	33%	173	5%
Official / Administrator	1,224	1%	1,111	0.1%	7%	32%	61%	113	9%
Total	90,579		84,656	0.5%	21%	51%	28%	5,923	7%

**Table H**  
**Distribution of Employee Performance Ratings, 2009\***  
**(BEACON Data Source)**

Agency / University	Employees			Performance Ratings (% of rated employees)				Performance Ratings (counts)			
	Total #	# rated	% rated	U, BG	Good	Very Good	Out-standing	U, BG	Good	Very Good	Out-standing
Administration	706	684	97%	0.6%	11%	55%	34%	4	73	377	230
Admin Hearings	42	35	83%	0.0%	3%	63%	34%	-	1	22	12
Agriculture	1,258	1,240	99%	0.5%	13%	47%	40%	6	156	577	501
Banking Comm	103	80	78%	0.0%	10%	59%	31%	-	8	47	25
Highway Patrol	2,235	2,100	94%	0.0%	48%	44%	8%	-	1,010	928	162
Commerce	1,375	1,279	93%	0.5%	19%	48%	32%	7	248	609	415
Community Col	196	194	99%	0.5%	20%	52%	28%	1	39	100	54
Correction	19,067	17,822	93%	0.4%	27%	61%	12%	76	4,741	10,883	2,122
CCPS	522	504	97%	0.8%	19%	30%	50%	4	94	153	253
Cultural Res	724	705	97%	0.3%	11%	57%	32%	2	76	401	226
Elections	60	57	95%	0.0%	23%	68%	9%	-	13	39	5
ESC	1,410	1,335	95%	0.4%	16%	54%	30%	5	211	718	401
DENR	3,654	3,606	99%	0.5%	16%	55%	28%	19	574	1,990	1,023
HHS	16,809	15,782	94%	0.7%	21%	43%	35%	105	3,305	6,800	5,572
Info Technology	562	540	96%	0.2%	41%	54%	4%	1	224	292	23
Insurance	407	378	93%	0.0%	25%	60%	15%	-	94	228	56
Justice	634	617	97%	0.3%	5%	47%	49%	2	28	287	300
SBI	636	621	98%	0.6%	14%	44%	41%	4	86	276	255
Juvenile Justice	1,618	1,459	90%	0.7%	29%	49%	22%	10	416	716	317
Labor	397	388	98%	1.3%	10%	35%	54%	5	38	134	211
Public Instruction	682	594	87%	0.0%	5%	35%	59%	-	32	209	353
Revenue	1,389	1,364	98%	0.7%	21%	63%	15%	9	293	856	206
Sch Sci & Math	100	96	96%	0.0%	9%	45%	46%	-	9	43	44
Secy State	194	183	94%	1.1%	22%	59%	18%	2	40	108	33
State Auditor	171	166	97%	3.0%	77%	20%	0%	5	127	34	-
OSBM	61	50	82%	0.0%	12%	50%	38%	-	6	25	19
State Controller	181	179	99%	0.0%	32%	61%	7%	-	57	109	13
State Health Plan	12	10	83%	0.0%	10%	40%	50%	-	1	4	5
State Personnel	83	78	94%	0.0%	21%	0%	79%	-	16	-	62
State Treasurer	302	149	49%	1.3%	35%	54%	9%	2	52	81	14
Transportation	12,418	12,040	97%	0.3%	12%	59%	29%	36	1,467	7,044	3,493
Wildlife Res	642	636	99%	0.2%	6%	35%	59%	1	39	223	373
<i>Total</i>	<i>68,692</i>	<i>64,998</i>	<i>95%</i>	<i>0.5%</i>	<i>21%</i>	<i>53%</i>	<i>26%</i>	<i>310</i>	<i>13,577</i>	<i>34,320</i>	<i>16,791</i>

\* Includes SPA, full-time, permanent employees as of 6/30/2009. Data extracted 10/3/09.

**Table I**  
**Distribution of Employee Performance Ratings, 2009\***  
**(PMIS data source)**

Agency / University	Employees			Performance Ratings (% of rated employees)				Performance Ratings (counts)			
	Total #	# rated	% rated	U, BG	Good	Very Good	Out-stand- ing	U, BG	Good	Very Good	Out-stand- ing
UNC-GA	298	288	97%	2.1%	27%	45%	25%	6	78	131	73
UNC-CH**	6,745	6,482	96%	0.7%	16%	43%	40%	44	1,010	2,811	2,617
NCSU	3,690	3,597	97%	0.7%	22%	44%	33%	24	801	1,591	1,181
UNC-G	1,140	1,125	99%	0.4%	17%	53%	30%	4	193	592	336
UNC-C	1,413	1,247	88%	1.1%	29%	43%	27%	14	367	534	332
UNC-A	358	338	94%	0.0%	7%	52%	41%	-	24	177	137
UNC-W	934	902	97%	0.9%	21%	45%	33%	8	190	403	301
ECU	2,856	2,448	86%	0.6%	10%	44%	45%	14	243	1,086	1,105
NC A&T	830	798	96%	0.6%	33%	48%	18%	5	267	381	145
WCU	684	669	98%	1.0%	28%	41%	30%	7	188	276	198
ASU	1,258	1,155	92%	0.1%	6%	41%	53%	1	65	479	610
UNC-P	372	367	99%	1.1%	15%	50%	34%	4	56	183	124
WSSU	450	165	37%	1.8%	28%	48%	22%	3	46	79	37
ECSU	290	264	91%	0.8%	15%	59%	26%	2	39	155	68
FSU	412	366	89%	1.1%	61%	33%	5%	4	225	120	17
NCCU	592	556	94%	1.1%	42%	40%	17%	6	234	222	94
Sch Arts	201	189	94%	2.1%	27%	39%	32%	4	51	73	61
<i>Total</i>	<i>22,523</i>	<i>20,956</i>	<i>93%</i>	<i>0.7%</i>	<i>19%</i>	<i>44%</i>	<i>35%</i>	<i>150</i>	<i>4,077</i>	<i>9,293</i>	<i>7,436</i>

\* Includes SPA, full-time, permanent employees as of 6/30/2009. Data extracted 10/3/09.

\*\* UNC-CH data provided by UNC-CH HR staff.

**Table J**  
**Reasons Employees Not Rated, 2009\***  
**(BEACON data source)**

Agency / University	Employees			Reason Not Rated (% of all employees)				Reason Not Rated (counts)			
	Total #	# not rated	% not rated	Insuffi- cient time (6)	LWOP status (7)	Eval not done (8)	<b>Rating not entered (10)</b>	Insuffi- cient time (6)	LWOP status (7)	Eval not done (8)	<b>Rating not entered (10)</b>
Administration	706	22	3%	1%	0%	1%	<b>1%</b>	4	1	8	<b>9</b>
Admin Hearings	42	7	17%	5%	0%	0%	<b>12%</b>	2	-	-	<b>5</b>
Agriculture	1,258	18	1%	0%	0%	1%	<b>0%</b>	6	-	12	-
Banking Comm	103	23	22%	22%	0%	0%	<b>0%</b>	23	-	-	-
Highway Patrol	2,235	135	6%	6%	0%	0%	<b>0%</b>	132	1	2	-
Commerce	1,375	96	7%	3%	1%	3%	<b>0%</b>	47	9	40	-
Community Col	196	2	1%	0%	0%	0%	<b>1%</b>	-	-	-	<b>2</b>
Correction	19,067	1,245	7%	5%	1%	1%	<b>0%</b>	951	156	109	<b>29</b>
CCPS	522	18	3%	2%	0%	0%	<b>1%</b>	12	1	1	<b>4</b>
Cultural Res	724	19	3%	2%	0%	0%	<b>0%</b>	17	2	-	-
Elections	60	3	5%	3%	0%	0%	<b>2%</b>	2	-	-	<b>1</b>
ESC	1,410	75	5%	3%	0%	0%	<b>2%</b>	43	1	7	<b>24</b>
DENR	3,654	48	1%	1%	0%	0%	<b>0%</b>	30	12	5	<b>1</b>
HHS	16,809	1,027	6%	5%	1%	0%	<b>0%</b>	759	189	28	<b>51</b>
Info Technology	562	22	4%	3%	1%	0%	<b>0%</b>	19	3	-	-
Insurance	407	29	7%	5%	0%	1%	<b>1%</b>	21	1	4	<b>3</b>
Justice	634	17	3%	2%	0%	0%	<b>0%</b>	15	1	1	-
SBI	636	15	2%	2%	0%	0%	<b>0%</b>	14	-	1	-
Juvenile Justice	1,618	159	10%	5%	0%	2%	<b>2%</b>	88	6	39	<b>26</b>
Labor	397	9	2%	2%	1%	0%	<b>0%</b>	7	2	-	-
Public Instruction	682	88	13%	0%	0%	0%	<b>13%</b>	-	-	-	<b>88</b>
Revenue	1,389	25	2%	1%	0%	1%	<b>0%</b>	13	3	9	-
Sch Sci & Math	100	4	4%	0%	1%	0%	<b>3%</b>	-	1	-	<b>3</b>
Secy State	194	11	6%	1%	1%	0%	<b>4%</b>	1	2	-	<b>8</b>
State Auditor	171	5	3%	3%	0%	0%	<b>0%</b>	5	-	-	-
OSBM	61	11	18%	2%	0%	0%	<b>16%</b>	1	-	-	<b>10</b>
State Controller	181	2	1%	1%	0%	0%	<b>0%</b>	2	-	-	-
State Health Plan	12	2	17%	8%	0%	0%	<b>8%</b>	1	-	-	<b>1</b>
State Personnel	83	5	6%	4%	0%	1%	<b>1%</b>	3	-	1	<b>1</b>
State Treasurer	302	153	51%	3%	0%	43%	<b>5%</b>	8	-	130	<b>15</b>
Transportation	12,418	378	3%	0%	0%	0%	<b>2%</b>	61	41	32	<b>244</b>
Wildlife Res	642	6	1%	1%	0%	0%	<b>0%</b>	5	1	-	-
	68,692	3,694	5%	3%	1%	1%	<b>1%</b>	2,292	433	429	<b>540</b>

\* Includes SPA, full-time, permanent employees as of 6/30/2009. Data extracted 10/3/09.

**Table K**  
**Reasons Employees Not Rated, 2009\***  
**(PMIS Data Source)**

Agency / University	Employees			Reason Not Rated (% of all employees)				Reason Not Rated (counts)			
	Total #	# not rated	% not rated	Insufficient time (7)	LWOP status (8)	Eval not done (9)	<i>Rating not entered (0)</i>	Insufficient time (7)	LWOP status (8)	Eval not done (9)	<i>Rating not entered (0)</i>
UNC-GA	298	10	3%	0%	0%	0%	<b>3%</b>	1	-	-	<b>9</b>
UNC-CH**	6,745	263	4%	2%	0%	1%	<b>0%</b>	163	1	82	<b>17</b>
NCSU	3,690	93	3%	2%	0%	0%	<b>0%</b>	72	11	-	<b>10</b>
UNC-G	1,140	15	1%	1%	0%	0%	<b>0%</b>	9	-	2	<b>4</b>
UNC-C	1,413	166	12%	11%	0%	0%	<b>1%</b>	151	7	-	<b>8</b>
UNC-A	358	20	6%	2%	0%	0%	<b>3%</b>	6	1	1	<b>12</b>
UNC-W	934	32	3%	2%	0%	0%	<b>1%</b>	20	1	-	<b>11</b>
ECU	2,856	408	14%	0%	0%	0%	<b>14%</b>	7	4	6	<b>391</b>
NC A&T	830	32	4%	3%	0%	0%	<b>1%</b>	24	-	2	<b>6</b>
WCU	684	15	2%	1%	0%	0%	<b>1%</b>	10	-	-	<b>5</b>
ASU	1,258	103	8%	0%	0%	7%	<b>1%</b>	1	1	87	<b>14</b>
UNC-P	372	5	1%	1%	0%	0%	<b>1%</b>	3	-	-	<b>2</b>
WSSU	450	285	63%	0%	0%	0%	<b>63%</b>	-	-	-	<b>285</b>
ECSU	290	26	9%	3%	0%	5%	<b>1%</b>	8	-	14	<b>4</b>
FSU	412	46	11%	9%	0%	1%	<b>1%</b>	37	-	3	<b>6</b>
NCCU	592	36	6%	5%	0%	0%	<b>1%</b>	29	-	1	<b>6</b>
Sch Arts	201	12	6%	1%	0%	3%	<b>1%</b>	3	-	6	<b>3</b>
Total	22,523	1,567	7%	2%	0%	1%	<b>4%</b>	544	26	204	<b>793</b>

\* Includes SPA, full-time, permanent employees as of 6/30/2009. Data extracted 10/3/09.

\*\* UNC-CH data provided by UNC-CH HR staff.

## Endnotes

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<sup>1</sup> GS 126-7(c)(9): "The State Personnel Director shall report annually on the Comprehensive Compensation System to the Commission. The report shall evaluate the performance of each department, agency, and institution in the administration of its appraisal system and the distribution of salary increases and awards within each department, agency, and institution and across state government. The report shall include recommendations for improving the performance appraisal system and alleviating inequities. Copies of the report, as adopted by the State Personnel Commission, shall be sent to the Governor, Lieutenant Governor, President Pro Tempore of the Senate, Speaker of the House of Representatives, the standing personnel committees of the House of Representatives and the Senate, and the State Auditor. The State Personnel Director shall recommend to the General Assembly for its approval sanctions to be levied against departments, agencies, and institutions that have deficient performance appraisal systems or that do not link salary increases and awards to employee job performance. These sanctions may include withholding salary increases and awards from the managers and supervisors of individual employing units of departments, agencies, and institutions in which discrepancies exist."

<sup>2</sup> GS 126-7(a): "It is the policy of the state to compensate its employees at a level sufficient to encourage excellence of performance and to maintain the labor market competitiveness necessary to recruit and retain a competent work force. To this end, salary increases to state employees shall be implemented through the Comprehensive Compensation System based upon the individual performance of each state employee. The Comprehensive Compensation System shall combine salary increases and awards into an interrelated system of compensation that furthers the recruitment, retention, career service, and outstanding performance of state employees."

<sup>3</sup> GS 126-7(c): "Career growth recognition awards, cost-of-living adjustments, and performance bonuses shall be based on annual performance appraisals of all employees conducted by each ... agency.... The State Personnel Commission ... shall adopt policy and regulations for performance appraisal. The policy and regulations shall include the following:

(1) The performance appraisal system of each ... agency ... shall be designed and administered to ensure that career growth recognition awards, cost-of-living adjustments, and performance bonuses are distributed fairly.

(2) To be eligible to distribute career growth recognition awards, cost-of-living adjustments, and performance bonuses, a[n] ... agency ... shall have an operative performance appraisal system which has been approved by the Commission. The performance appraisal system adopted shall use a rating scale of five levels, with level four or better qualifying for performance bonuses, level three or better qualifying for career growth recognition awards, and level two or better qualifying for cost-of-living adjustments. The performance appraisal system adopted shall adhere to modern personnel management techniques and practices in common use in the public and private sectors. ...

(4) An employee whose performance is rated at or above level four of the rating scale shall be eligible to receive ... a performance bonus unless....

(4a) An employee whose performance is rated at or above level three of the rating scale shall receive a career growth recognition award.... The career growth recognition award shall represent a two percent (2%) increase within the employee's assigned pay grade. In no event shall any award increase an employee's compensation above the maximum of the range.

(4b) An employee whose performance is rated at or above level two of the rating scale and who has not received a suspension without pay or demotion that has not been resolved shall receive a cost-of-living increase.

<sup>4</sup> This definition of "good" can be inferred from GS 126. In 126-7(c)(2): "The performance appraisal system adopted [by an agency] shall use a rating scale of five levels, with level four or better qualifying for performance bonuses, level three or better qualifying for career growth

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recognition awards, and level two or better qualifying for cost-of-living adjustments.” Elsewhere (126-7 (a2)(1) and (3)), the Statute states that a career growth recognition award is given to employees whose performance “meets or exceeds management’s expectations;” a performance bonus is given to employees whose performance “exceeds management’s expectations.” Thus the Statute’s definition of “good” is “meets management’s expectations.”

<sup>5</sup> Executive Order No. 11.

<sup>6</sup> Equal Employment Opportunity Commission, Civil Service Commission, Department of Labor, and Department of Justice (1978). *Uniform Guidelines on Employee Selection Procedures*: “A selection rate for any race, sex, or ethnic group which is less than four-fifths (4/5) (or eighty percent) of the rate for the group with the highest rate will generally be regarded by the Federal enforcement agencies as evidence of adverse impact, while a greater than four-fifths rate will generally not be regarded by Federal enforcement agencies as evidence of adverse impact. Smaller differences in selection rate may nevertheless constitute adverse impact, where they are significant in both statistical and practical terms or where a user’s actions have discouraged applicants disproportionately on grounds of race, sex, or ethnic group. Greater differences in selection rate may not constitute adverse impact where the differences are based on small numbers and are not statistically significant, or where special recruiting or other programs cause the pool of minority or female candidates to be atypical of the normal pool of applicants from that group.”

<sup>7</sup> Because the number of Hispanics, Asians, and American Indians is relatively small compared to the white and black categories, these groups have been combined to form an “other” group.

<sup>8</sup> Two recent articles that summarize research findings on racial differences in job performance: Philip L. Roth, Allen I. Huffcutt, and Philip Bobko, “Ethnic Group Differences in Measures of Job performance: A New Meta-Analysis” (*Journal of Applied Psychology*, 2003, 88(4), pp. 694-706) and Patrick F. McKay and Michael A. McDaniel, “A Reexamination of Black-White Mean Differences in Work Performance: More Data, More Moderators” (*Journal of Applied Psychology*, 2006, 91(3), pp. 538-554).

<sup>9</sup> For purposes of this analysis, “administrative support” includes the banded position, Administrative Support Associate, and the graded positions, Office Assistant III and IV and Processing Assistant III and IV.

<sup>10</sup> Occupational classifications are based on the federal government’s Standard Occupational Code (SOC) system.

<sup>11</sup> In 2007, the Office of State Personnel began using a three-level rating scale: exceeds, meets, and does not meet expectations. The “exceeds expectations” level includes employees who would have been rated both as “very good” and as “outstanding” in the traditional system. Thus OSP’s distribution is in line with other agencies’ distributions when “very good” and “outstanding” ratings are broken out separately.

<sup>12</sup> General Statute 126-7(a).